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October 26, 1971

To: ALL DIRECTORS OF WASATCH MOUNTAIN RAILWAY AND DEVELOPMENT COMPANY

Gentlemen,

We are calling a Directors Meeting *will call & confirm Day*
at Ashton Oil and Transportation Office to discuss the following agenda:

1. Financial Condition of Company
2. Formulate Company policy to control future operations through the winter.

We are enclosing a rather lengthy newsletter to aid you in background so that the above decisions can be made without too much confusion and time. We are also enclosing copies of our worksheets showing a brief synopsis of the years operations in two seasons: July 10 to Labor Day which we would consider our Tourist Season and the Labor Day to October 17th, or our Fall Season, and the September 30, 1971 Financial Statement from our accountant.

Our operating season ended October 17th. We probably will lack around \$4500.00 to pay all obligations due November 10th. An analysis of our operations after all bills are in will show we have really lost money since Labor Day. However, we learned a lot, and personally I feel the experience will offset our losses in the long run.

Reasons for losses: 1. Increased operational costs of the engine due to colder weather and pulling heavier cars, (one hospital car with a 50 person capacity weighs 80 Ton (160,000 lbs) compared to our open air cars, each capable of the same capacity per car, each weighing only around 12,000 lbs.)

2. Labor factors as a percent of gross sales increased *[redacted]* compared to the gross revenue per employee in the period from July 10 to September 6.

3. Sporadic running required steam in the engine held for many days we didn't run at all.

4. Lack of capacity in closed cars. We simply couldn't haul more than 200 people.

5. Money spent on hospital cars, in retrospect was probably wasted.

The fact that we had to turn down so many people on weekends, I think, did prove the fall colors justify operations into October, but we must have a large capacity, light weight cars capable of being heated (for evening or night charters for which there is considerable demand.) Also, care must be made to limit runs to consecutive days such as charters only on Thursday and Friday, public runs only on Saturdays and Sundays, allowing us to close down for the balance of the week. With an engine house and a compressor, the necessity of draining the water out of the engine or the time required to re-fire will not be such a time consuming, miserable problem. The customers were available, we were just not physically able to take care of them because of the cold. I am convinced that a dining car concept with enclosed cars (preferably of the "Burlington" comutor type) can be attractive to the public and could give us adequate margins to justify operations into October, and the Supper Club concept could add to the season eventually at least on the Summer and Fall weekends, and perhaps later on special occasions into the Christmas-New Year times.

I think the past season has proven we can attract the people, and the greatest profit potential we have is the ability to haul a lot of people comfortable several times a day. We should aim immediately to have a right of way capable of carrying trains with a capacity of around 500 per trip on a round trip time of under two hours running (2 1/2 hours total time.) This would enable us to expand our operations to up to three trips daily (for peak holiday and weekends) plus perhaps an additional night run for the Supper Club trade (This could be pulled with a diesel-electric). It would probably require around a minimum of \$75,000.00 to be spent on the track and turntables next spring before we begin to operate to accomplish this objective. Since it now will probably be well into March or April before public funds become available, I propose we do not consider any actual train schedules until the weekend starting Saturday, May 27th, to allow all the time possible for our track gang to spend the public funds on the track during April and May, in the hopes we can get the work done. We cannot mess around with Mother's Day or Spring School charters (both good income potentials) this coming spring.

CIRCUMSTANCES SURROUNDING LEASE OF RIGHT OF WAY:

We are still having our problems with the State Road on the lease on the lower portions of the right of way from the Dam to Bridal Veil Falls. Thus far they have refused to grant more than 4 years on the section to Bridal Veil Falls, and they thus far have insisted on a 60 day cancelation clause, which is totally unacceptable. The stubbornness of the Highway Commission has caused a complete halt on the development of our prospectus and really now is adversely affecting our next seasons operation. However, if this one clause can be successfully resolved, the balance of the lease terms is very acceptable.

ENGINE IN CALIFORNIA:

We have partially committed ourself to moving two of the Foundations engines in California to Utah, but the costs to move them here are mounting and due to our existing lack of cash and the need to keep as much as possible for our operations during the winter, plus the questionable condition of them

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makes us wonder if we should cancel our commitment and concentrate on preservation of the Jordan Spreader from Kennecott and additional cars that can prove beneficial to our future operations. I realize that we need another steam locomotive, but we do have the # 110, probably in better condition than any in California, but it also should fit our operational needs, and be relatively easy to restore. Also, in my estimation, a diesel electric of some type will be of more value to our company than would the third steam engine at this time.

Estimates of Costs of Moving Two Engines from Stockton, California to Vivian Park and Jordan Spreader from Kennecott to Vivian Park:

	High	Low
1. Estimate of Loading in Stockton:	\$500.00	00.00
2. Shipping to Salt Lake, \$575. per flat car	1150.00	1150.00
3. Transportation from Provo to Vivian Park by Ashworth Transfer Co.:		
A. Jordan Spreader only	300.00	250.00
B. Engines:	1500.00	1100.00
4. Excavation and fill at Vivian	100.00	50.00
5. Excavation and fill at Orem (Engines only)	100.00	50.00
6. Expenses to send one man to Stockton	<u>200.00</u>	<u>100.00</u>
TOTAL COSTS: Jordan Spreader:	400.00	350.00
Two engines from Stockton	<u>3450.00</u>	<u>2350.00</u>
	\$3850.00	\$2700.00

RAILROAD CARS:

Del Wallengren on his trip to Chicago - Omaha, found several dining cars, an old business car with observation platform, and some pullmans and chair cars. (Burlington commuter as well as regular Illinois heavy weight chair). At this moment Del and Lowe have personally paid for the business car, and Del personally has put down his option money to hold the dining cars. The pullmans are rather deluxe, build in the 60's, originally purchased by the Mexican Government, but they ran out of money. They are available for \$4000.00 each. As yet, the chair cars have not been released. Directors should consider the value of some of these cars to the company, and realize that while it is a buyers market, once the cars are disposed of, they will never be available again, because it will be the scrap pile for most.

Ed McLaughlin went to Milford, Utah to look at the cars stored there. All of the Union Pacific modern passenger equipment at Milford, Utah is in fair to excellent condition in terms of overall appearance. Mechanical aspects on all cars inspected could also be termed fair to excellent. Nothing of any major size was wrong. Since all of this equipment, except for one car, diner 4800, has been out of service only a few months, it has been very well maintained to meet ICC standards. The diners do not have dishes, silver or linens. Chairs, tables, curtain, are all in place and in good, clean condition.

The only problem with respect to any of the cars is the fact that some have

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surface rust along the bottom edge of the body. Interior inspection was made of only three cars # 5014, # 5010 and # 5466. The cars were very well cleaned and in good repair. In all cases, the cars were in good order, and all were carpeted except for the mail, express and chair cars.

General Description of chair and dining cars:

- a. Four wheel trucks, roller bearing mounted
- b. diaphragms in place at each car end
- c. All cars steam heated
- d. Air conditioning and refrigeration operated by a freon compressor which runs on butane.
- e. Mechanical condition excellent, meets ICC standards
- f. Exterior condition, excellent paint

Car #5717

A mail storage car which was converted to a ski train dance car. This unit was not returned to regular mail service.

PROSPECTUS: PUBLIC ISSUE

This will of course now be postponed because of the delay in acquiring a lease that is acceptable to the Company. After the lease, we then must have an appraisal of the assets of the Company, the lease with the Foundation and the lease with the State Park being two very important assets that are not reflected in book value of the Company. To allow our Company to comply with the State's non-dilution rules, an appraisal must be high enough to allow us to sell less than half of our company for the amount of money we want (\$500,000.00). We therefore must find appraisers capable of satisfactorily telling the State Security and Exchange Commission of the value of those assets. I think people like the manager of the Black Hills Central, the Manager of the Stone Mt. Georgia, or the Roaring Camp and Big Trees, to name a few, could be considered experts and available at a cost of course, to make appraisals of our railroad.

This is an expense we should prepare for immediately: probably \$100.00 per day plus transportation, and we probably will need at least two appraisers.

MINIMUM WINTER WORK PROGRAM:

Work that must be done on equipment we now have and the time required.

1. # 35 - repairs and modifications a minimum time of five weeks. Plus time required to plan and secure materials, approx. \$2,000.00.
2. # 618 - Conversion to Oil: minimum time, six weeks, plus time required to plan and secure materials, approx. \$3,000.00.
3. # 110 - Probably will take all the spare time we have for a year or so, stripping down, cleaning for some later date restoration, Materials around \$.00.00
4. Stationmasters' house about one to two weeks.
5. Repairs and Modification to Cars: three to four weeks. \$300.00.

6. Track and Trestle: Years and years of work
7. Steam locomotives materials in Washington: One week, approx. \$500.00 in cost to move.
8. Art Work and advertising pieces for summer operations: Color brochure, new posters, items for sale in Station such as T shirts, hats, patches, ect.

WORK ITEMS THAT ARE POSSIBLE WITH ADEQUATE MONEY:

1. Engine House, proper structure: \$20,000.00. It is conceivable that we should build some type of temporary house this winter, work as best we can under it, building the engine house only when we have time, and with funds from sale of stock.

2. Purchase of cars: see report on that section.

The basic decision as a Board of Directors we must make is therefore:

Should we borrow money from outside sources, or increase the stock holdings of those of our present members, or increase the borrowing from them, to enable us to keep our skeleton crew, until public funds are available, or should we shut the Company down completely, let the employees go, until public moneys are available.

The budget for minimum operations for the months of November, December, January, February and March (assuming we get our public money by that time) is as follows:

Wages: Dennis Spendlove - \$400.00 per month, (plus room which is now being supplied by Aloma Motel, but part of the winter can be used to make the Station House liveable so he can live there. Aloma's bill is not due until we are financially able to pay.)

Ed McLaughlin	\$450.00 per month
Gordon Wheeler	\$400.00 per month (est.) \$2.00 per hour
Merle Giles	\$160.00 per month (est) Secreterial

	\$1410.00 per month
Wage factor (15%)	<u>211.50</u>
Heat, Light & Power Factor	\$1621.50 per month
for Depot, House & temp.	
shelter	150.00
Telephone (could be eliminated	
puts burdon on Ashton's	100.00
Min. budget for materials to	
keep working during winter	<u>300.00</u>
	550.00 per month
Contingency factor (15%)	<u>82.50</u>

\$632.50 per month

\$2254.00 per month X 5 months = \$11,270.00

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Five months Minimum Operations Budget: \$11,270.00

Plus probable Cash Shortage: \$ 4,500.00

Minimum amount of additional capital to run Company until Spring: \$16,000.00.

SUMMARY OF ITEMS DISCUSSED FOR BUDGET PURPOSES:

	Low	High
1. Minimum Operations: November, December, January, February and March: Wages, heat, light & power, Telephone, Materials and cash shortage:	10,000.00	16,000.00
2. Moving Engines from California:	2700.00	3,450.00
3. Moving Jordan Spreader from Kennecott:	250.00	400.00
4. Materials on # 35, #110, & # 618:	00.00	6,000.00
5. Engine House:	00.00	20,000.00
6. Purchase of Cars:	00.00	35,000.00
Dining cars at \$4,000.00 each		
Baggage Cars at \$1,000.00 each		
Coaches at \$2,000.00 to \$3,000 each		
Pullmans at \$4,000.00 each		
Dome Loungers at \$10,000.00 each		
Business Cars at \$3,000.00		
Movement at approximately \$500.00 per car (from Park City)		
7. Opportunity to gain tracks at:		
U.P. Yard at Milford: 1 1/2 miles of good 75# Rail and 3/4 mile of good 90# rail. (Thought, with the purchase of several cars, we should get the material given to us if we clean up the yard.)		
Olmstead Power Plant: With this 90# rail we should be able to lay the line from Heber Fair Grounds (corner of Clothing Factory) to beginning of 90# rail at Charleston curve.		
8. Purchase Diesel Powered Switch Engine		15,000.00

WORKSHEET

	July 10 to Labor Day (Sept. 6)	Sept. 8 to Oct. 17
	51 Operating Days	18 Operating Days
	<u>81 Runs</u>	<u>32 Runs</u>
TICKET SALES	36% Child 64% Adult	31% Child 69% Adult
	\$44,945.87	\$11809.51
Mdse. & Concession Sales	4,476.55	931.88
Charters @ \$400.00 each	<u>1,200.00</u> (3)	<u>3200.00</u> (8)
	\$50,622.42	\$15,941.39
PAYROLL	\$14,994.61	\$6,039.22
Cost per Run	185.09	177.62
Cost per Day	307.56	287.58
Cost per Passenger	.86c	.57c*
% of Gross Sales	29.5%	40.3%
% of Ticket Sales	32.4%	37.9%
FUEL COSTS	29,028 Gal = \$3845.84	13,997 Gal = \$1901.94
Cost per Run	334 Gal = \$45.78	411 Gal = \$59.44
Cost per Day	569 Gal = \$72.56	777 Gal = \$90.57
% of Gross Sales	7.6%	11.9%
CONCESSION SALES	\$3,644.57	\$840.83
Sales per Run	\$43.13	\$30.03
Sales per Passenger	.22c	.18c
MERCHANDISE SALES	\$831.98	\$91.05
Sales per Run	\$9.25	\$3.79
Sales per Passenger	.05c	.02c
COMMENT SHEETS	36% Comment 84 % from Utah 16% Out of State	47% Comment 90% from Utah 10% Out of State

WASATCH MTR. RAILWAY & DEVELOPMENT CO.
BALANCE SHEET
SEP 30, 1971

DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD	PRICE YEAR	CHANGE
ASSETS				
CURRENT ASSETS				
CASH IN BANK	1010	5,142.19	.00	5,142.19CR
CASH IN ZIONS BANK	1011	622.19	.00	622.19CR
SUBSCRIPTIONS RECEIVABLE	1012	.00	.00	.00
ORGANIZATION EXPENSE	1060	4,923.91	.00	4,923.91CR
EXP REPAYABLE BY FUND. TO OPERATION	1102	18,140.30	1395,703.00	1377,562.70
TOTAL CURRENT ASSETS		28,828.59	1395,703.00	1366,874.41
FIXED ASSETS				
RESTORATION OF CARS	1303	33,571.31	.00	33,571.31CR
EQUIPMENT	1310	7,632.84	.00	7,632.84CR
LAND	1410	1,884.35	.00	1,884.35CR
BUILDING	1412	20,286.89	.00	20,286.89CR
TRACK AND SIGNALS	1420	3,486.49	.00	3,486.49CR
TOTAL FIXED ASSETS		66,831.88	.00	66,831.88CR
TOTAL ASSETS		95,660.47	1395,703.00	1300,042.53
LIABILITIES & STOCKHOLDERS EQUITY				
CURRENT LIABILITIES				
ACCOUNTS PAYABLE	2010	4,799.40CR	.00	4,799.40
LOANS PAYABLE - STOCKHOLDERS	2020	19,300.00CR	.00	19,300.00
DEPOSITS - CHARTER INCOME	2030	.00	.00	.00
SALES TAX	2100	2,611.78CR	.00	2,611.78
FICA PAYABLE	2110	400.97CR	.00	400.97
FEDERAL WH TAX PAYABLE	2120	145.35	.00	145.35CR
STATE WH TAX PAYABLE	2130	222.49CR	.00	222.49
STATE UNEMPLOYMENT TAX PAYABLE	2150	581.72CR	.00	581.72
FEDERAL UNEMPLOYMENT TAX PAYABLE	2160	.00	.00	.00
STATE INSURANCE PAYABLE	2170	.00	.00	.00
TOTAL CURRENT LIABILITIES		27,771.01CR	.00	27,771.01

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BALANCE SHEET
SEP 30, 1971

DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD	FISCAL YEAR	CHANGE
STOCKHOLDERS EQUITY				
CAPITAL STOCK	2500	64,100.00CR	00	64,100.00
NET INCOME		3,789.46CR	1395,703.00CR	1391,913.54CR
TOTAL STOCKHOLDERS EQUITY		67,889.46CR	1395,703.00CR	1327,813.54CR
TOTAL LIAB & STOCKHOLDERS EQUITY		95,660.47CR	1395,703.00CR	1300,042.53CR

INCOME STATEMENT
FOR PERIOD ENDED SEP 30, 1971

DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD AMOUNT	%	CURRENT YEAR-TO-DATE AMOUNT	%	PRICE YEAR END AMOUNT	%
INCOME							
ADULT TICKET SALES	3001	3,491.67CR		3,491.67CR		00	
CHILD TICKET SALES	3002	2,026.29CR		10,444.42CR		00	
CHARTER TICKET SALES	3003	857.35CR		1,965.00CR		00	
NON-TICKET SALES	3020	1,414.56CR		6,523.08CR		00	
MISCELLANEOUS INCOME	3040	345.23CR		345.23CR		00	
TOTAL INCOME		13,259.50CR		58,465.70CR		00	
CCST OF SALES							
NON-TICKET PURCHASES		3,127.01		3,127.01		00	
TOTAL CCST OF SALES		3,127.01		3,127.01		00	
EXPENSES RAILROAD OPERATION							
ADVERTISING	4001	1,238.15		4,810.88		00	
LEGAL	4004	50.00		2,072.00		00	
INSURANCE	4005	58.38		5,465.57		00	
TOOLS	4006	289.73CR		1,798.58		00	
ROLLING STOCK MAINTENANCE	4005	175.35		572.46		00	
TRACK AND SIGNALS	4010	631.72		4,411.44		00	
BUILDINGS AND STRUCTURES	4011	56.67		162.39		00	
ACCOUNTING	4012	0.00		75.00		00	
FUEL	4016	2,067.06		5,255.68		00	
WAGES - GENERAL	4017	240.00		2,442.90		00	
WAGES - TRACK	4018	382.80		3,805.16		00	
WAGES - OFFICE	4015	557.65		1,757.35		00	
OIL AND GREASES	4020	44.38		203.74		00	
WAGES - STEWARDESSES	4021	1,209.00		3,361.65		00	
WAGES - ENGINEER, FIREMAN & CONDUCTOR	4022	525.00		2,922.50		00	
WAGES - MAINTENANCE	4023	645.75		2,442.00		00	
WAGES - YARD	4024	657.30		4,031.30		00	
WAGES	4025	0.00		0.00		00	
ENGINE SERVICE	4026	430.66		430.66		00	
OFFICE SUPPLIES AND POSTAGE	4030	1,100.71CR		290.33CR		00	
CLEANING SUPPLIES	4031	1,300.64		1,300.64		00	
TELEPHONE	4032	151.95		713.54		00	
TICKETS	4033	188.18		188.18		00	
TRUCK EXPENSE	4034	109.16		109.16		00	

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WASATCH Mtn. RAILWAY & DEVELOPMENT CO.

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INCOME STATEMENT
FOR PERIOD ENDED SEP 30, 1971

DESCRIPTION	ACCOUNT NUMBER	CURRENT PERIOD AMOUNT	%	CURRENT YR-TOT-CTL AMOUNT	%	PRICE YEAR END AMOUNT	%
TRAVEL AND FUNCTIONAL EXPENSES	4039	104.06		789.78		00	
UTILITIES	4037	57.09		167.00		00	
GENERAL	4040	52.91		323.22		00	
PAYROLL TAXES	4041	548.00		2,018.23		00	
CASH OVER AND SHORT	4090	2,616.07		166.86		00	
TOTAL EXPENSES		3,568.07		3,549.23		00	
NET INCOME		1,564.42		3,789.40		00	